ANNUAL REPORT

ON THE PERFORMANCE OF

KAROO HOOGLAND MUNICIPALITY

FOR THE 2010/11 FINANCIAL YEAR

IN TERMS OF

SECTION 46 OF THE LOCAL GOVERNMENT MUNICIPAL SYSTEMS ACT, 2000

AND

SECTION 121 OF THE MUNICIPAL FINANCIAL MANAGEMENT ACT, 2003

January 2012

ANNUAL REPORT

Mr JP Julies

Mayor for Karoo Hoogland Municipality

It is my pleasure to submit the Annual Report of Karoo Hoogland Municipality for the financial year 1 July 2010 to 30 June 2011.

I am satisfied that the report seeks to portray the activities of the municipality during the financial year under review in terms of legislative requirements.

Ernest Saayman

Municipal Manager

19 January 2012

ACRONYMS AND ABBREVIATIONS

AG	Auditor General
CDW	Community Development Worker
CFO	Chief Financial Officer
COGTA	Co-operative Governance, Human Settlements and Traditional Affairs
DBSA	Development Bank of South Africa
EPWP	Expanded Public Works Programme
FBS	Free basic services
IDP	Integrated Development Plan
KHM	Karoo Hoogland Municipality
KPA	Key Performance Area
LED	Local Economic Development
LGSETA	Local Government Sector Education and Training Authority
MDB	Municipal Demarcation Board
MFMA	Municipal Financial Management Act
MIG	Municipal Infrastructure Grant
MSIG	Municipal Systems Improvement Grant
PMS	Performance Management System
RSDF	Rural Spatial Development Framework
SALGA	South African Local Government Association
SDBIP	Service Delivery Budget Implementation Plan
WSDP	Water Services Development Plan
WSP	Workplace Skills Plan

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FOREWORD BY THE MAYOR



In terms of the MFMA (Section 127(2)) the Mayor must, within seven months after the end of the financial year, table the Annual Report of the municipality. I therefore, have great pleasure to present the Annual Report of Karoo Hoogland Municipality for the 2010/11 financial year.

I wish to point out that the present Council of this Municipality came into office on 18 May 2011 and has only been involved in the management of the municipality for two months of the financial year under review.

To acquaint myself with the status of the municipality I had studied the Annual Report for the 2009/10 financial year. In this report it was evident that significant progress was made during the 2010/11 financial year in addressing the problems which originated in previous years and which resulted in various initiatives to rectify matters.

The most important goal that was achieved during 2009/10, was a Qualified Audit Opinion opposed to Disclaimer Opinions in the previous 9 financial years.

For the 2010/11 financial year the municipality has again achieved a Qualified Audit Opinion. This is proof that the general position and administration of the municipality is now based on a steady foundation.

It is evident that my municipality has, over the last two financial years, taken a giant leap in its goal to obtain a Clean Audit Report. Proof for this statement is obvious in the contents of this report.

Mr Jan P Julies (*mayor*)

19 January 2012

OVERVIEW BY THE MUNICIPAL MANAGER

The report of the Auditor General on the Financial Statements of a Municipality is the most important criteria to determine the viability and the credit worthiness of a public institution.

The 2010/11 Annual Report of KHM provides detail and information regarding the financial performance of the municipality as well as the performance on the developmental objectives of Council.

The Qualified Opinion of the AG on the 2010/11 Financial Statements, as well as the Qualified Opinion in the previous financial year, is proof that we are overcoming the challenges which previously faced the municipality and that we are without doubt on track with what we envisage for Local Government in our municipality.

I am satisfied that this report is a true and just reflection of the status of municipal related matters in Karoo Hoogland Municipality during 2010/11.

Ernest Saayman

18 January 2012

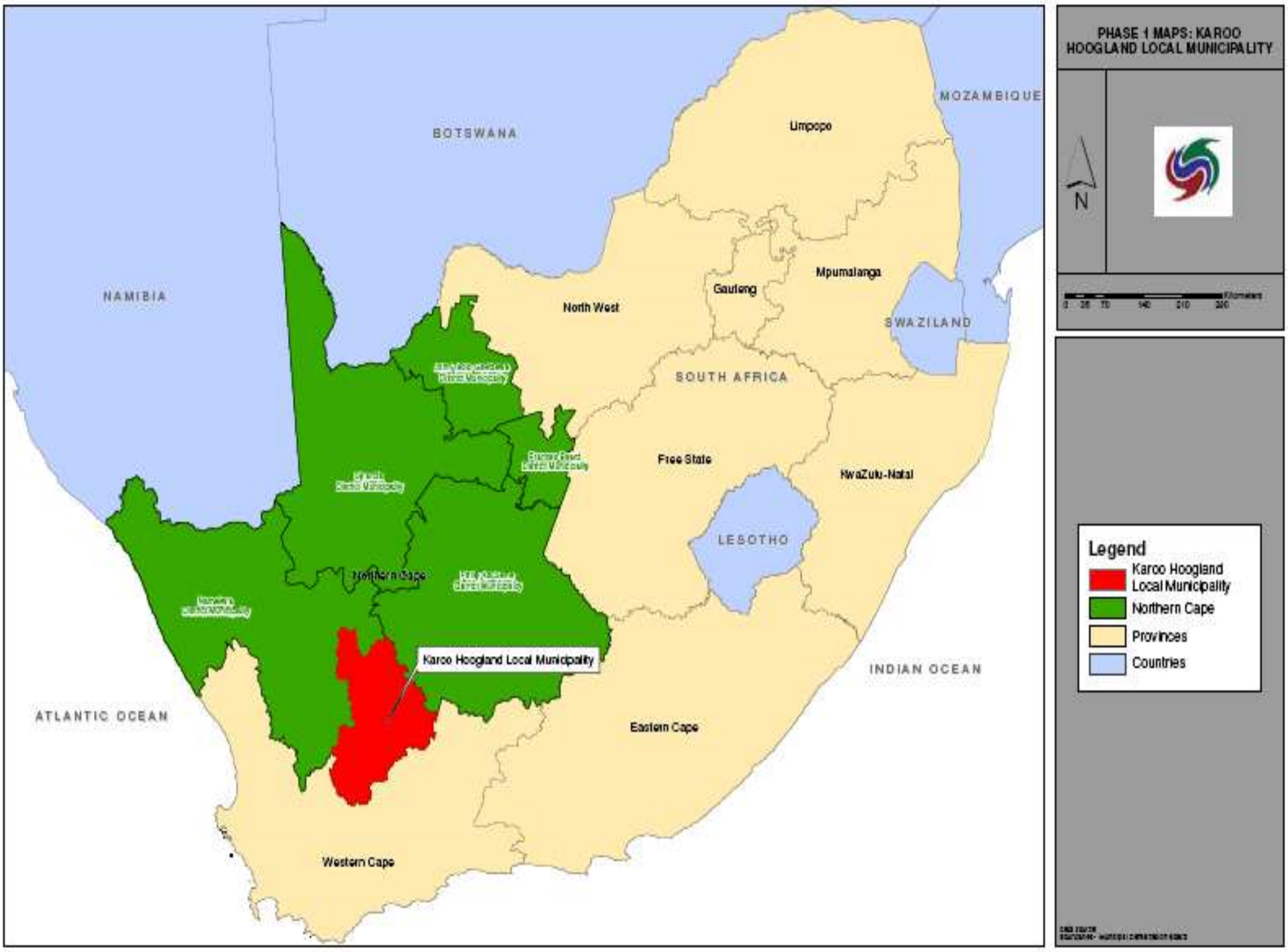
CHAPTER 1

BACKGROUND OF THE MUNICIPALITY

Karoo Hoogland Municipality is an amalgamation of the three towns of Fraserburg, Sutherland and Williston as well as the vast surrounding rural area.

The municipality comprises an area of approximately 34 000 km^2 and falls within the area of jurisdiction of Namakwa District Municipality.

The following map demonstrates the location of the municipal area within a provincial and national context.



Karoo Hoogland Municipality is one of six local municipalities falling under the Namakwa District of the Northern Cape Province. The majority of the population (77.3%) resides in urban areas while the balance (22.7%) is in rural areas.

The total population is approximately 12500 and the total number of households serviced by the municipality is 3683 of which 1338 are indigent. This excludes the farms in the rural area.

Karoo Hoogland is a relatively large municipality in geographic terms, but has a corresponding low population density per square kilometre. The municipality has experienced a steady decline in population and number of households over the last decade. This is evident of the general tendency in the Northern Cape Province.

This has largely been attributed to the lack of economic opportunities in the region and the drift of the population to areas where they have better prospects of finding a job. It is interesting to note that in the Northern Cape 1/3 of the population is younger than 15 years.

The municipality is demarcated into four wards. The municipal council has seven Councillors of which four are ward representatives and three hold proportional seats.

The vision of council is to ensure an environment conducive for economic growth with special focus on poverty alleviation and job creation.

OVERVIEW OF THE PERFORMANCE IN PREVIOUS FINANCIAL YEAR 2009/10

The Annual Report on the performance of Karoo Hoogland Municipality for the 2009/10 financial year was compiled and submitted to Council during January 2011.

It was evident in the 2009/10 Annual Report that the main focus of Council was on the implementation of the National Turn-Around Strategy Plan (TAS) in order to address the wide range of challenges which were faced with the specific view in obtaining an improved Audit Report .

It can positively be stated that the 2009/10 year was a turn-around for KHM and that good progress was made in addressing the wide range and very serious problems which were encountered in the previous years. It is also evident in the 2010/11 Annual Report, that KHM built on the good progress by achieving another Qualified Audit Opinion.

The main administrative challenges, which were still faced at the end of the 2009/10 year, were:

- The final valuation of all infrastructure in order to implement the asset register;
- To implement an internal audit function;
- To implement a performance management system;
- To appoint a Chief Financial Officer.

The AG expressed a Qualified Opinion on the Financial Statements of KHM as at 30 June 2010. It was evident in the report of the AG that improvement has been achieved.

CHAPTER 2

MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT

CAPACITY TO PERFORM MUNICIPAL FUNCTIONS

The Municipal Demarcation Board annually undertakes capacity assessments of all local authorities in South Africa and makes recommendations to the Provincial MEC of Local Government with regard to the capacity of each municipality to perform its functions in terms of the Municipal Structures Act.

The powers and functions of KHM were not adjusted for the year under review.

The municipality still performs 21 functions which is more than the average of 20 in our province.

POLITICAL PROFILE

The seven councillors represent the following political parties:

- Councillor JP Julies - COPE (Mayor/Speaker)
- Councillor (Ms) GM Beukes - ANC
- Councillor JE Davids - ANC
- Councillor (Ms) CM Fortuin - ANC
- Councillor JJ Van Der Colff - DA
- Councillor AC V Van Wyk - DA
- Councillor PJ Van Wyk - COPE

In terms of Section 9 of the Local Government: Municipal Structures Act (No. 117 of 1998) KHM is a Category B municipality with a plenary executive system combined with a ward participatory system.

STAFFING AND MANAGEMENT PROFILE

- The total staff complement as at 30 June 2011 was 111 employees. Hereunder is an extract from the Employment Equity Plan which reflects the workforce profile:

Occupational Levels	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Top management	0	0	0	1	0	0	0	0	0	0	1
Senior management	0	1	0	2	0	0	0	0	0	0	3
Professionally qualified and experienced specialists and mid-management	0	0	0	0	0	0	0	0	0	0	0
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	0	6	0	1	0	10	0	8	0	0	25
Semi-skilled and discretionary decision making	1	61	0	0	0	20	0	0	0	0	82
Unskilled and defined decision making	0	0	0	0	0	0	0	0	0	0	0
TOTAL PERMANENT	1	68	0	4	0	30	0	8	0	0	111
Temporary employees	0	0	0	0	0	0	0	0	0	0	0
GRAND TOTAL	1	68	0	4	0	30	0	8	0	0	111

Note: A=Africans, C=Coloureds, I=Indians and W=Whites

STATUS OF MANAGERIAL POSITIONS AS AT 30 JUNE 2011

- Municipal Manager appointed on 11 June 2009
- Head of Corporate Services appointed on 1 July 2009
- Head of Infrastructure Services appointed on 1 July 2009
- Chief Financial Officer appointed on 1 February 2011

SKILLS DEVELOPMENT AND TRAINING

- The WSP was submitted on 30 June 2011 in terms of legislational requirements.
- In order to promote and enhance skills development and training, a HR Officer was appointed during the year under review.

EMPLOYMENT EQUITY PLANS & IMPLEMENTATION REPORTS

- The Employment Equity Plan is revised and submitted to the Departments of Labour and COGHSTA every two years. It will be submitted in January 2012 for the period 2009 - 2011.

COMMUNICATION STRATEGY & PLANS

- An External Communication Strategy was also put in place to promote active communication between Council and the public. It has been proven that an informed public is a satisfied public. Newsletters were distributed on a regular basis and quarterly community meetings/imbizo's were held.
- Also refer to Chapter 6 (Public Participation).

ORGANISATIONAL STRUCTURES, REVIEWS & APPOINTMENTS (SINCE THE MTAS)

- Chief Financial Officer – the filling of this position has been identified as a priority in the TAS of the municipality. The vacancy was advertised and an appointment was made during the 2010/11 financial year on 1 February 2011.
- An Internal Audit Function was established on 1 July 2010.
- Soon afterwards the implementation of the Internal Audit Unit, an External Audit Committee was established in terms of Section 166(1) of the MFMA. The External Audit Committee meets regularly as required by legislation.
- A Budget Office and a Supply Chain Management Office was established on 1 July 2010 and staff appointed.

CHAPTER 3

BASIC SERVICE DELIVERY

CHALLENGES FACED BY THE MOST POVERTY STRICKEN WARDS

- *High rate of teenage pregnancies*
- *Increase in drug and alcohol abuse*
- *HIV/AIDS*
- *Education and literacy*
- *Lack of basic life skills*
- *Increase in crime*
- *Tuberculoses*
- *Domestic violence*
- *High unemployment rate*

SERVICE DELIVERY CHALLENGES FACED BY THE MUNICIPALITY

- With reference to the provision of basic services (water, electricity and sanitation) the municipality does not face any serious challenges as all households in the municipality receive basic services such as electricity, water and sanitation.
- The major challenge is to address the housing backlogs in all three towns as well as the upgrading of the electricity reticulation network in Fraserburg.

BASIC SERVICE DELIVERY PROJECTS

(Extracted from IDP and Infrastructure projects)

5.4 ROADS AND INFRASTRUCTURE

Project Name	Location	Target Dates	Estimated Costs	Possible Funders	Status Quo
Eradication of Prosopis trees	All wards	09/10 & 10/11	R 1 300 000, 00	EPWP	COMPLETED
Upgrade of Bergstreet	Williston	09/10	R 650 890, 00	EPWP	COMPLETED
Upgrade of Streets	All wards	09/10	R 6 000 000, 00	EPWP, NDM	ONGOING DEPENDING ON FUNDING
Upgrade Major Roads between wards	All wards	09/10	R 140 000 000, 00	EPWP	Refer to District IDP

5.5 STORMWATER

Project Name	Location	Target Dates	Estimated Costs	Possible Funders	Status Quo
Stormwater System	Sutherland	09/10	R 3 500 000, 00	MIG	Planning
Stormwater System	Fraserburg	09/10	R 3 500 000, 00	MIG	Planning
Stormwater System	Williston	09/10	R 3 500 000, 00	MIG	Planning

5.6 CEMETERIES

Project Name	Location	Target Dates	Estimated Costs	Possible Funders	Status Quo
EIA	Williston	09/10	R 80 000, 00	MIG	Planning
EIA	Fraserburg	09/10	R 80 000, 00	MIG	Planning

**In the 2010/11 year the Office of the Premier launched the Cemetery Projects. The upgrade of two cemeteries will be done in 2011/2012 in KHM. The contractor who got awarded the tender will commence with the Project in February 2012.

5.7 REFUSE REMOVAL

Project Name	Location	Target Dates	Estimated Costs	Possible Funders	Status Quo
Licensing and upgrading of site	Williston	09/10	R 750 000, 00	MIG	Planning
Upgrading of site	Fraserburg	09/10	R 500 000, 00	MIG	Planning
Licensing and upgrading of site	Sutherland	09/10	R 750 000, 00	MIG	Planning

5.8 ELECTRICITY

Project Name	Location	Target Dates	Estimated Costs	Possible Funders	Status Quo
Public lighting (downward facing lights to avoid light pollution)	Williston	09/10	R 2 500 000, 00	MIG	Planning
Public lighting (downward facing lights to avoid light pollution)	Fraserburg	09/10	R 2 500 000, 00	MIG	Planning
Public lighting (downward facing lights to avoid light pollution)	Sutherland	09/10	R 90 000, 00	NDM	Completed
Upgrading of Sub-station	Fraserburg	11/12	R2 500 000,00	DoE	In Progress
Electrification of 210 Houses	Fraserburg	11/12	R 2 000 000,00	DoE	Await Funding
Upgrading of Internal Electrification Network	Fraserburg	11/12	R15 980 976,00	?	Planning

5.9 SPORT AND RECREATIONAL FACILITIES AND SERVICES

Project Name	Location	Target Dates	Estimated Costs	Possible Funders	Status Quo
Amandelboom Sport Facility	Williston	09/10	R 3 363 000, 00	Lotto Funding	Awaiting funding
Ammerville Sport Facility	Fraserburg	09/10	R 3 534 000, 00	Lotto Funding	Awaiting funding
Sports Festivals	Rural	09/10	R 150 000, 00	NLDTF, Rural Development	To be planned
Rebelskop Sport Facility	Sutherland	09/10	R 4 104 000, 00	MIG	Awaiting funding
Upgrade of Sport Facility K-H M	All Wards	09/10	R 7 000 000, 00	NLDTF	Awaiting funding

PROJECTS WHICH COMMENCED AND ARE PLANNED TFOR THE COMING YEARS

Operation Nala

⇒ Allocated : R650 000 ~ Only received R325 000 (Await the funding)

210 Houses Fraserburg

⇒ This project has been completed and we await the funding for the electrification thereof

OTHER

∝ Upgrading of Water network (Fraserburg) Allocated: R15 018 311,80 ~ 95% completed (to complete in 2011/12)

∝ Replacement of Reservoir (Fraserburg) Amount needed: R9 300 000

∝ Replacement of two Reservoirs (Sutherland) Amount needed: R7 500 000

CHAPTER 4

LOCAL ECONOMIC DEVELOPMENT

SPECIAL FOCUS ON LED

- In the vision of Council it is stated that KHM must be an economical growth node and Council must create an environment that will enhance economic development with special focus on poverty alleviation and the creation of direct and indirect job opportunities. Special focus will also be placed on the development of life skills of people, infrastructure and education.

ALIGNMENT WITH PROVINCIAL IDP AND LED STRATEGIES

- The LED strategies of Council is directly aligned with the provincial growth and development strategies with special reference to the following:
  - to maintain economic growth;
  - to address the unemployment rate;
  - to reduce poverty ;
  - to improve literacy;
  - to provide housing and proper water and sanitation services;
  - to reduce crime;
  - to redistribute agricultural land to pdi's;
  - to provide adequate infrastructure .

HUMAN RESOURCE CAPACITY

- Prior to the 2009/10 financial year the lack of a dedicated staff structure resulted in a weak performance in IDP/LED initiatives and matters.
- In order to provide HR capacity, Council revised its organogram and on 1 July 2009 an IDP Manager as well as a LED Manager was appointed.
- An IT Officer/Senior Accountant was appointed on 1 October 2010.
- An HR Officer was appointed on 1 February 2011
- An Archivist was appointed on 23 May 2011
- An Supply Chain Officer was appointed on 3 May 2011

THE DEVELOPMENTAL STRATEGIES OF COUNCIL HAVE MANIFESTED IN VARIOUS PROJECTS WHICH ARE LISTED BELOW

(Extracted from IDP)

Project NR	Project Name	Location	Target Dates	Estimated Costs	Possible Funders	Status Quo
5.10.1	Museum Upgrade	Williston	09/10	R 500 000, 00	NLDTF,Arts, Tourism	To be Planned
5.10.2	Construction of Corbel House	Williston	09/10	R 580 000, 00	NLDTF, Tourism	To be Planned
5.10.3	Protection for paleo Surface	Fraserburg	09/10	R 1 000 000, 00	DST, Arts, NLDTF	Planning
5.10.4	Upgrade museum	Fraserburg	09/10	R 1 000 000, 00	NLDTF,Arts, Tourism	Planning
5.10.5	Stage and amphitheatre	Fraserburg	09/10	R 195 000, 00	KHM, NLDTF	To be Planned
5.10.6	Shuttle service	All wards	09/10	R 400 000, 00	DST, Arts, NLDTF	To be Planned
5.10.7	Agricultural tourism route Feasibility Study	Rural	09/10	R 150 000, 00	NLDTF,Arts, Tourism, Skeppies	B-Plan submitted
5.10.8	Edu-tourism route (geology, paleontology, astronomy, biology)	Rural	09/10	R 500 000, 00	KHM, NLDTF	To be Planned
5.10.9	Williston Nature Reserve	Williston	09/10	R140 000, 00	Skeppies, NLDTF	Awaiting funding

5.10.10	Upgrade of learner hostel facilities	Sutherland	09/10	R 1 000 000, 00	NRF	Completed
5.10.11	Community computer training centre for K-H - M	Sutherland	09/10	R 1 500 000, 00	NRF	Implementa-tion
5.10.12	Outdoor community recreational facility	Sutherland	09/10	R 245 000, 00	KHM, NLDTF	To be planned
5.10.13	Renovation of tourism office	Sutherland	09/10	R 80 000, 00	KHM, Tourism	Planning
5.10.14	Tourism Marketing (Including brochures)	All wards	09/10	R 500 000, 00	Tourism, NCTA, NDM	Seeking funds

Project NR	Project Name	Location	Target Dates	Estimated Costs	Possible Funders	Status Quo
5.10.15	Astronomy themed miniature golf	Sutherland	09/10	R 150 000, 00	NLDTF	To be planned
5.10.16	Walking with ancestors	All wards	09/10	R 11 000 000, 00	DTEC, KHM, NCTA	Awaiting funding
5.10.17	Tourism training and awareness	All wards	09/10	R 50 000, 00	DTEC, DOL, TEP	Seek funding
5.10.18	Karoo Highlands Tourism Route	All Wards	09/10	R 250 000,00	Open Africa	In Process
5.10.19	Establishment of Tourism Associations	Fraserburg /Williston/ Sutherland	09/10	N / A	KHM	Completed
5.10.20	Develop and assist Festivals in KHM	All Wards	09/11	R 250 000, 00	DAC, SAAO, NLDTF, NCTA, KHM	In Process
5.10.21	AIDS – Awareness & Prevention	All Wards	09/11	R 500 000, 00	NACOSA,DSW, NDM, DOH, Drop In Centre (Williston)	In Process
5.10.22	Social Development Programmes	All Wards	09/11	R 2 000 000, 00	Local NGO's, Dept of Welfare, DOL, NDM	To be planned
5.10.23	Develop By-laws with regard to Social Development	All Wards	09/11	N/A	N/A	Seeking assistance
5.10.24	Develop & Support Sport Programmes and Organizations	All Wards	09/11	R1 500 000,00	NLDTF, DSAC	To be Planned
5.10.25	Indigenous Plants Poster	All wards	09/11	R 100 000, 00	Skeppies, CI, DWAF	Planning
5.10.26	Karoo Stars Indigenous Knowledge Poster	All wards	09/11	R 100 000, 00	SALT, SKA, NRF	To be Planned
5.10.27	KHM Recipe Book	All wards	09/10	R 100 000, 00	SAAO, KHM	**Finalised**
5.10.28	Spinning & Weaving	Williston	09/11	R 200 000, 00	Drop in Centre (Williston)	In Process
5.10.29	Tourism Signage	All Wards	09/11	R 600 000, 00	NDM, KHM, DTEC, NCTA, SAAO	Planning

Project NR	Project Name	Location	Target Dates	Estimated Costs	Possible Funders	Status Quo
5.10.30	Develop a LED Strategy	All wards	09/11	R500 000, 00	DBSA	**Awaiting funding**
5.10.31	Establish LED steering committees	All wards	09/11	N/A	N/A	Completed
5.10.32	Develop a crime prevention strategy	All wards	09/11	N/A	N/A	Seeking Assistance
5.10.33	Gateway to the universe – MeerKAT & SKA framework (Phase II)	All wards	09/11	R 60 000, 00	KHM, SKA	Planning
5.10.34	Develop SMME infrastructure	All wards	09/11	R 3 000 000, 00	MIG, DBSA	To be planned
5.10.35	Feasibility study for FET college in science & technology for KHM	All wards	09/11	R 250 000, 00	DST, Education, IDT	To be planned
5.10.36	Develop support base for health services in KHM	All wards	09/11	N/A	N/A	In Process

STATUS OF ECONOMIC AND SOCIAL INVESTMENT IN KHM

- There has been an increase in the level of economic and social investment in KHM. The objectives to stimulate our local economy are clearly outlined in our IDP. The IDP will be reviewed in the 2011/12 financial year. We are working on developing a LED Strategy that will focus in particular on increasing the level of economic and social investment.

CHAPTER 5

FINANCIAL VIABILITY AND MANAGEMENT

This Key Performance Area is without any doubt the most important one, since no business or organization can fulfill its obligations without financial resources and sound financial management.

The performance of Karoo Hoogland during the year under review must be benchmarked against the performance during the previous financial years. In this regard I wish to refer back to Chapter One (OVERVIEW OF THE PERFORMANCE DURING THE PREVIOUS FINANCIAL YEAR 2009/10) of this report. I specifically need to highlight the fact that during the latter part of 2009/10 all focus was on the implementation of the Turn Around Strategy with the specific view to obtain a clean audit opinion as soon as possible.

While the 2008/09 and 2009/10 years saw a major improvement in both the financial results and the Audit opinion, 2010/11 saw the culmination of the efforts. The financial situation improved again but the main improvement can be seen in the administration responsibilities as set out in the Municipal Finance Management Act (MFMA). Although a clean audit opinion was not obtained the marked improvement was noted by the Auditor General in his report. The issues raised in his report can be rectified and is considered not to be severe.

Due to the effective credit control measures implemented the cash reserves of the Municipality have improved drastically. The increase in Debtors has reduced and apart from the account of the AG, all creditors are paid within 30 days.

ACHIEVEMENTS

- Early in 2010 the Credit Control Office was extended.
- The cashflow and overall financial position of KHM has improved significantly.
- The computer system of the municipality has been upgraded to ensure that proper service accounts are generated.
- Since October 2008 all financial reports required by the MFMA are being generated and submitted timeously on a monthly basis to National Treasury.
- The 2010/11 Financial Statements were compiled timeously in-house (GRAP Format) and submitted to the AG before 30 August 2011.
- A SDBIP was implemented with the support of Provincial Treasury.
- A Budget and Treasury Office was established as required by the MFMA. Unfortunately the position was vacated during the year under review and a suitable candidate had not been recruited.
- An Internal Audit Unit was established as required by the MFMA.
- An External Audit Committee was also established during the period under review.
- Due to the improved consumer billing system, a major decline in complaints is visible.

The Financial Statements and AG Report, as well as our Municipal Manager's comments on the AG Report, are enclosed in terms of Section 121 (3) of the MFMA.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2011

REPORT OF THE AUDITOR – GENERAL ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF KHM FOR THE YEAR ENDED 30 JUNE 2011

SUMMARIZED COMMENTS

OF THE MUNICIPAL MANAGER

ON THE

REPORT OF THE AUDITOR –

GENERAL

FOR THE YEAR ENDED

30 JUNE 2011

Comments on the report of the AG to the Northern Cape Provincial Legislature and the Council of Karoo Hoogland Municipality on the Financial Statements and performance information of Karoo Hoogland Municipality for the year ended 30 June 2011

The AG of the Northern Cape expressed a Qualified Opinion on the Financial Statements for the year under review.

Five matters resulted in the Qualified Opinion and will be addressed as mentioned below.

Basis for Qualified opinion

NO. 7 IRREGULAR EXPENDITURE

The irregular expenditure referred to is the purchases from single suppliers and / or suppliers whom do not provide the necessary documentation. In terms of the Supply Chain Management Policy (SCM) that for any purchases above R2 000 three quotes must be obtained. Also all suppliers must complete a document which include inter alia tax clearance certificates and certification that they were not in the employ of the government in the past 2 years.

This is however impractical as in most of the smaller purchases only one local supplier is available and large companies i.e. Game etc. Do not give these tax clearance certificates. A solution to this is that the Municipal Manager signs a list of all these suppliers to give authority to purchase from them. This has now been done and will be updated on annual basis.

NO. 8 COMMITMENTS

A tender register will be opened to ensure the compliance to the request of the AG.

NO. 9

In order to solve this problem the manual system of claiming VAT from the Receiver has been abolished in favour of a computerised system. This will provide an audit trail to the AG.

NO. 10. REVENUE

This refers to the grant received for the building of 210 houses in Fraserburg. The income and expenditure formed part of the Council records as we claimed the funds from province and paid it over to the contractor. The AG, is of opinion that it should not be reflected in our records. This will be done so in future.

NO 11. PROPERTY, PLANT AND EQUIPMENT

Council contracted Messrs Mubesko to compile an asset register including infrastructure assets. The have utilised an Engineering firm to do the evaluation. Apparently a number of Municipalities followed the same route. It now appears that the AG is not happy with the method of evaluation and stated that all municipalities that utilised this method will receive a qualified report. Subsequent to the KHM report, we have been informed that some Municipalities did not receive the qualification. Officials have contacted the Office of the AG, for clarification but it is still outstanding. The matter will be forwarded to Messrs Mubesco to investigate.

It is evident from the above comments that the issues raised by the Auditor General are addressed and it is the opinion of Management that unless new issues are brought to light, an Unqualified Audit can be expected in future. A target to achieve a clean audit report by 2013 was set as part of the Turn Around Strategy. It is envisaged to achieve this target before 2013.

CHAPTER 6

GOOD GOVERNANCE AND PUBLIC PARTICIPATION

WARD COMMITTEES

- Number of Wards: 4 Wards
- Ward Committees functionality:
  - Not functioning effectively.
  - Has been re-established in 2010.
  - They will be trained shortly as the previous training was on too short notice.

COMMUNITY DEVELOPMENT WORKERS

- CDW's deployed.
- There are 5 CDW's in KHM. Two in Fraserburg, two in Sutherland and one in Williston.
- There is a fairly good relationship with them and they are mainly being utilized to promote communication between Council and the public.

DISTRICT IGR FORUM FUNCTIONALITY

- Functional – Namakwa District Municipality can provide proof.

PUBLIC PARTICIPATION

The municipality has made special efforts to enhance communication with the general public through various organized structures. The relationship with organized NGO's such as local ratepayer's associations has improved drastically during the 2009/10 - and the 2010/11 financial year and regular meetings are being held to discuss matters of mutual interest.

GOVERNANCE PERFORMANCE

- The report of the AG is self-explanatory in terms of the good performance of KHM in the year under review.
- The goals and initiatives of Council to promote and achieve good governance have manifested in a Qualified Audit Opinion for a second consecutive year.

CHAPTER 7

CONCLUSION

From an overall perspective, it is clear that the performance of the municipality during the year under review is satisfactory and that the general administration is based on a steady foundation.

The qualifications expressed by the AG are of an administrative nature and will be addressed and rectified immediately in our goal to achieve an Unqualified Audit Opinion.